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COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

AT RICHMOND, JUNE 6, 2001

APPLICATION OF

UNITED CITIES GAS COMPANY
(A Division of Atmos
Energy Corporation)

CASE NO. PUE010305

For approval of an
amendment to purchased
gas adjustment rider

ORDER FOR NOTICE AND HEARING

On May 22, 2000, United Cities Gas Company (a Division of Atmos Energy) ("United Cities" or "the Company") filed an application with the State Corporation Commission ("Commission") requesting approval of an amendment to its Purchased Gas Adjustment Rider ("PGA").

In its application, United Cities states that its PGA was last updated on September 29, 1997. Since that time, the Company explains that it has begun to use financial hedging in its gas purchase strategy with the goal of managing the risk of changes in gas prices. The application explains some of the different types of financial hedges the Company employs, including options, "cap" transactions, "collar" arrangements, and futures contracts.

United Cities requests that its PGA be amended to include costs associated with gas price hedging contracts in the

definition of the cost of purchased gas. The Company argues that the Commission previously approved a similar PGA amendment in another matter.¹

NOW UPON CONSIDERATION of the application, we are of the opinion that public notice should be given, that interested persons should have the opportunity to comment and to request a hearing on the application, and that Commission Staff should investigate the reasonableness of United Cities' application.

Accordingly, IT IS ORDERED THAT:

(1) This matter is docketed and assigned Case No. PUE010305.

(2) United Cities shall promptly make a copy of its application and other materials available to the public who may obtain copies, at no charge, by making a request in writing to counsel for the Company, Richard D. Gary, Esquire, Hunton & Williams, Riverfront Plaza, East Tower, 951 East Byrd Street, Richmond, Virginia 23219-4074. The application and other materials filed in this docket may also be reviewed during regular business hours at the Commission's Document Control Center, First Floor, Tyler Building, 1300 East Main Street, Richmond, Virginia.

(3) On or before June 22, 2001, the Company shall complete publication of the following notice to be published as display

¹ Application of Roanoke Gas Company, For authorization to implement a pilot gas cost hedging program, 1997 S.C.C. Ann. Rpts. 409 (July 24, 1997).

advertising (not classified) once in newspapers of general circulation within United Cities' service territory.

NOTICE TO THE PUBLIC OF AN APPLICATION BY
UNITED CITIES GAS COMPANY (A DIVISION OF
ATMOS ENERGY) FOR APPROVAL OF AN AMENDMENT
TO ITS PURCHASED GAS ADJUSTMENT RIDER
CASE NO. PUE010305

On May 22, 2000, United Cities Gas Company (a Division of Atmos Energy) ("United Cities" or "the Company") filed an application with the State Corporation Commission ("Commission") requesting approval of an amendment to its Purchased Gas Adjustment Rider ("PGA"). The PGA is a mechanism that allows the Company to recover, on a non-profit, dollar-for-dollar basis, the cost it incurs to purchase natural gas from suppliers for delivery to and use by the Company's customers.

In its application, United Cities states that its PGA was last updated on September 29, 1997. Since that time, the Company explains that it has begun to use financial hedging in its gas purchase strategy with the goal of managing the risk of changes in gas prices. The application explains some of the different types of financial hedges the Company employs, including options, "cap" transactions, "collar" arrangements, and futures contracts. United Cities requests that its PGA be amended to include costs associated with gas price hedging contracts in the definition of the cost of purchased gas.

The Company's application and other materials are available to the public who may obtain copies, at no charge, by making a request in writing to counsel for the Company, Richard D. Gary, Esquire, Hunton & Williams, Riverfront Plaza, East Tower, 951 East Byrd Street, Richmond, Virginia 23219-4074. The application and other materials

filed in this docket may also be reviewed during regular business hours at the Commission's Document Control Center, First Floor, Tyler Building, 1300 East Main Street, Richmond, Virginia.

On or before July 13, 2001, interested persons may submit written comments or requests for a hearing on the application to Joel H. Peck, Clerk of the Commission, c/o Document Control Center, P.O. Box 2118, Richmond, Virginia 23218-2118. All comments or requests for hearing shall refer to Case No. PUE010305, and copies must simultaneously be sent to counsel for the Company at the address set forth above. Any requests for hearing shall state why a hearing is necessary and why such issues cannot be adequately addressed in written comments. If no sufficient request for hearing is received, a formal hearing with oral testimony may not be held, and the Commission may make its decision administratively, based upon papers filed in this proceeding.

On or before July 13, 2001, any person filing a request for hearing may also file a notice of participation in accordance with Rule 80 B of the Commission's Rules of Practice and Procedure, 5 VAC 5-20-80 B. A copy of any notice of participation shall refer to Case NO. PUE010305 and must simultaneously be sent to counsel for the Company at the address set forth above.

UNITED CITIES GAS COMPANY
(A DIVISION OF ATMOS ENERGY)

(4) On or before June 22, 2001, United Cities shall serve a copy of this Order on the Chairman of the Board of Supervisors of each county and the Mayor or Manager of every city and town (or equivalent officials in the counties, cities, and town

having alternate forms of government) in which the Company offers service. Service shall be made by first-class mail or delivery to the customary place of business or to the residence of the person served.

(5) On or before July 13, 2001, interested persons may submit written comments or requests for a hearing on the application to Joel H. Peck, Clerk of the Commission, c/o Document Control Center, P.O. Box 2118, Richmond, Virginia 23218-2118. All comments or requests for hearing shall refer to Case No. PUE010305, and copies must simultaneously be sent to counsel for the Company at the address set forth above. Any requests for hearing shall state why a hearing is necessary and why such issues cannot be adequately addressed in written comments. If no sufficient request for hearing is received, a formal hearing with oral testimony may not be held, and the Commission may make its decision administratively, based upon papers filed in this proceeding.

(6) On or before July 13, 2001, any person filing a request for hearing may also file a notice of participation in accordance with Rule 80 B of the Commission's Rules of Practice and Procedure, 5 VAC 5-20-80 B. A copy of any notice of participation shall refer to Case No. PUE010305, and must simultaneously be sent to the Company at the address set forth above.

(7) The Company shall provide the Commission with proof of notice and service as required by paragraphs (3) and (4) of this Order on or before July 13, 2001.

(8) The Commission Staff shall investigate the reasonableness of the Company's application and present their findings and recommendations in a report filed with the Clerk of the Commission on or before July 27, 2001.